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**Finance Committee**

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**HB 2110**

**Brief Description:** Requiring a tax expenditure report as part of the biennial budget documents.

**Sponsors:** Representatives Hasegawa, Chase, Simpson, Santos and Ormsby.

**Brief Summary of Bill**

- Requires a tax expenditures report to be produced every two years as part of the Governor's budget.

**Hearing Date:** 2/19/09

**Staff:** Rick Peterson (786-7150)

**Background:**

The Department of Revenue (DOR) produces a listing of tax exemptions every four years. The most recent report was published in 2008. The 2008 report covered 567 tax exemptions. The term "exemption" includes tax exemptions, exclusions, deductions, credits, deferrals, and preferential rates. These are also sometimes referred to as "tax preferences." The tax exemptions report describes each exemption, the year of enactment, the purpose of the exemption, an indication of primary beneficiaries, whether the tax exemption conflicts with another state program, and an estimated fiscal impact.

The Citizen Commission for Performance Measurement of Tax Preferences (Commission) was established by the 2006 Legislature (EHB 1069). The primary role of the Commission is to develop a schedule to review all tax preferences at least once every 10 years. The Commission takes into account any newly enacted or terminated tax preferences and revises the schedule as needed each year. The schedule is delivered to the Joint Legislative Audit and Review Committee (JLARC). Tax preference reviews are conducted by the JLARC according to the schedule established by the Commission. For each tax preference, the JLARC provides recommendations to continue, modify, schedule for future review, or terminate the preference. The JLARC may also recommend accountability standards for future reviews of tax preferences.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The JLARC reports its findings and recommendations for scheduled tax preferences to the Commission by August 30 of each year. The Commission reviews and comments on the JLARC report. The final JLARC reports are submitted to the House Finance and Senate Ways & Means Committees for joint public hearings. In 2007 and 2008, 60 tax preferences were reviewed.

**Summary of Bill:**

A tax expenditures report is created every two years as part of the Governor's biennial budget documents. The report will include the listing of tax expenditures prepared by the DOR, and will categorize each expenditure according to the program or function it supports. The tax expenditure report will not address tax expenditures required by the federal or state Constitutions. The Governor will make a recommendation on whether each tax expenditure scheduled to terminate in the next biennium should be allowed to terminate, continue, or continue with modification.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.